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CITY MANAGER

March 29, 2011

Dear Community Leader:

We are writing this letter to inform you about recent efforts and decisions at the city of Las Vegas you may not know. It is important to us that community leaders like you are aware of our commitment to keep the city fiscally strong and deliver the services that are core to our mission. The City Council and the city staff have been making some tough decisions in this most difficult of economic times.

Our work first began more than three years ago. In fact, we were among the first organizations in the state to recognize a disturbing financial trend and to act. Sadly, it became clear to us that our community would be facing economic challenges not seen in generations. If we did nothing, the city was facing a budget shortfall in excess of \$400 million over a five-year period. As a result, we set three goals: to keep the city fiscally strong, to preserve key services, and to try and save as many city jobs as possible.

You may not be aware of this requirement, but the city of Las Vegas must submit a balanced budget to the state each year. To accomplish this, the city has cut about \$100 million from its operating expenses over the last three years. This is nearly a 17% reduction. We have eliminated nearly 600 positions over this same time period.

We did not make these difficult decisions in a vacuum. We have conducted community surveys, focus groups, and a series of 13 neighborhood meetings last year and six neighborhood meetings this year to garner feedback from the public on the best way to manage our shrinking budget. While we were able to find many administrative efficiencies enabling us to work smarter, there were many difficult programming decisions we made that impacted services to our citizens. Within our budget process, we privatized some of our functions, eliminated community schools, cut program hours for parks and recreation, moved to a four-day work week, severely reduced our staff dedicated to development due to diminished workloads, cut senior programs, eliminated several law enforcement and fire administration costs, and aggressively pursued alternative uses of facilities through our asset management program. We are also evaluating other service-sharing and strategic alliance opportunities with Clark County, North Las Vegas, and Henderson.

We are pleased to report that, we also have successfully reached labor agreements with all four of the city's unions. These concessions in existing agreements or new contracts will save the city more than \$36 million over the next two fiscal years, representing a 3.5% to 10.8% reduction from previous bargaining unit contract commitments. The potential future savings are even greater as we have negotiated a reduction in pay and benefits for future hires. Nearly 600 positions have been reclassified based on a market analysis to get the job costs back in line with what the rest of the community pays for similar job types. These talks were not easy, but in the end, we were able to gain support from our bargaining units.

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In addition, through a reorganization effort, the management and administration ranks in the city have dropped by 25% over the last three years, significantly shrinking the cost and number of management. All in all, our executives (reduced by 28%) have seen a drop in executive average compensation by nearly 8%. We still have some work to do and are diligently restructuring our management benefits plan to eliminate sick leave lump sum paychecks at separation and curtailing accruals of large balances of annual leave.

With so many in our community struggling to manage declining revenues, and with so much ongoing speculation about where the economy is headed, you may not have heard of our efforts and actions to keep the city solvent while continuing to deliver services to our citizens. If you did hear something, most likely the information provided in the media was fragmented and lacked the overall context of the magnitude of these changes.

It is important that you know about the hard work expended to achieve a sound city budget. Local government has not been immune to the ravages of this economy, and like all organizations, we have been forced to adjust our fiscal affairs to keep pace with the times. City employees worked with management to make major adjustments in our compensation and benefits structure. As a result of these efforts, we have reduced our structural deficit by over 80%, but we are not out of the woods yet. We still must pare back our expenses to what our current revenues will support – for us that is nearly 2004-2005 revenue levels. Just to put this level of reduction into perspective, since 2005, we added over one thousand acres of parks, two new fire stations, one new police substation, and eight new public facilities. However our staffing levels are 9% less than they were in 2006. Our projected annual deficit is now between \$10 and \$15 million (approximately 3%) but our reserves are still healthy. Obviously, this is our status without any revenue diversions or programmatic shifts to cities as a result of legislative action to balance the state budget.

We are pleased with our efforts and wanted to make you aware. Please feel free to contact us should you have any questions or if we can provide additional information.

Sincerely,



**Oscar B. Goodman**  
*Mayor*



**Elizabeth N. Fretwell**  
*City Manager*

